

## **LEOFF Plan 2 Retirement Board**

### **Contribution Rate-Setting Schedule for 2006**

#### **1. Current Rate Schedule**

The LEOFF Plan 2 Retirement Board adopted a four-year plan for contribution rates in 2004. The following rates, taken from the plan, will become effective unless the Board takes further action:

<b>Effective Date</b>	<b>Member</b>	<b>Employer</b>	<b>State</b>
Current	6.99%	4.20%	2.79%
July 1, 2006	7.79%	4.68%	3.11%
July 1, 2007	8.54%	5.13%	3.41%
July 1, 2008	8.73%	5.24%	3.48%

This interim, the Board must decide whether to keep the current schedule or adjust it according to the results of the 2005 Actuarial Valuation, currently underway by the Office of the State Actuary (OSA).

#### **2. 2007-2009 Biennial Rates**

OSA is currently performing their 2005 Actuarial Valuation, which will include projected 2007-09 contribution rates for all the State's public pension plans, including LEOFF Plan 2. The recommended contribution rates may be different from the rates in the Board's current schedule. The Board will then need to decide whether to adjust the rate schedule according to the new valuation results.

Draft valuation results are expected to be available in late June/early July. By statute, biennial contribution rates must be adopted no later than September 30, 2006. The Pension Funding Council and the LEOFF 2 Board will hire an independent actuary to audit the OSA valuation results. The Board partnered with the Pension Funding Council for the 2004 audit.

#### **3. Supplemental Rates for 2006 Legislation**

Three bills passed during the 2006 Legislative Session that increased liabilities for the LEOFF Plan 2 Retirement System. The Office of the State Actuary estimates the necessary contribution rate increases for the three bills as follows:

<b>Benefit Improvement</b>	<b>Member</b>	<b>Employer</b>	<b>State</b>
Catastrophic Disability	0.02%	0.01%	0.01%
Survivor Medical Insurance	0.03%	0.02%	0.01%
Occupational Disease \$150,000	0.01%	0.01%	0.00%
<b>TOTAL:</b>	<b>0.06%</b>	<b>0.04%</b>	<b>0.02%</b>

These projected rate increases were audited and validated by an independent actuary retained by the Board. The supplemental contribution rates will become effective September 1, 2006 and must be adopted at least 30-days prior to September 1, 2006, to provide the required statutory notice to employers. The latest regular Board meeting in which action can be taken to adopt the supplemental rates is July 26, 2006.

The Board may want to consider merging the supplemental rate costs with any changes to the Board's contribution rate schedule for the 2007-09 biennium, to decrease the number of rate changes for employers and plan members in the next year.